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DELEGATION TO EUROPE

A REPORT

TO THE

UNITED STATES SENATE

BY

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LETTER OF TRANSMITTAL

JULY 8, 1983.

Hon. GEORGE BUSH,
President of the Senate.
Hon. HOWARD H. BAKER, Jr.,
Majority Leader of the Senate.

GENTLEMEN: At the request of a number of my European Parliamentary colleagues and at the invitation of political leaders from our important NATO allies, I led a bipartisan group of U.S. Senators to visit and consult with our colleagues and allies in the United Kingdom, The Netherlands, Belgium, the Federal Republic of Germany (with a short visit to East Berlin), and Italy. The visit took place from May 27 through June 5. Joining me for the entire trip were Senators Orrin Hatch and Dennis DeConcini. Senators Pell, Specter, Hawkins, and Mattingly also attended meetings with the delegation in some of the countries visited.

The delegation stressed the United States strong support for equitable and real nuclear arms reductions, reasserted the U.S. commitment to the NATO dual track decision of December 1979, further reaffirmed the importance of the NATO alliance and Europe for the people and collective security of the United States and Europe, and discussed a wide range of security and economic issues.

What follows is a brief report of some of the delegation's observations which I hope will be of use to our colleagues in the Senate and which reflects the importance that we in the delegation attach to the ongoing consultative process.

RICHARD G. LUGAR,
Chairman, U.S. Senate Delegation.

Introduction

From May 27 through June 5, 1983 a Senate delegation chaired by Richard Lugar, chairman of the Senate Subcommittee on European Affairs, visited Great Britain, the Netherlands, Belgium, Germany, and Italy. The delegation took part in discussions with government officials, opposition leaders, and other leaders in each nation. The general purpose of the delegation was to affirm the broad, bipartisan Congressional support which exists for a close and cooperative political, military, and economic relationship with NATO nations. The year 1983 is critical for NATO because it is a crucial juncture for the dual track decision of 1979 regarding deployment of Pershing II and Cruise Missiles.

Deployment is an especially critical question because of the desire of the Soviet Union to attempt to separate the nations of Europe and the United States on this issue. For this reason, the delegation believed it to be a vital part of our national security policy to indicate to our European allies that on INF and deployment-related arms control discussions there is a strong, united position on the part of the United States. Whatever differences may exist about specifics, arms reductions in intermediate force levels are the preferable course of action. Failing that, however, there is broad, bipartisan support in the United States for deployment of the full complement of intermediate range nuclear missiles.

The delegation reminded Europeans that deployment of Pershing II and Cruise Missiles was not in the first instance an American initiative, but a European one. The delegation indicated the deep support which exists in the United States for significant, equitable, and verifiable arms reductions. The delegation reaffirmed the belief that arms reductions are a vital part of overall Western security if they occur in the context of significant arms reductions on the Soviet side as well.

The delegation took every opportunity to indicate that the United States and the nations of Western Europe find themselves linked together in a common effort to defend themselves against outside aggression or intimidation. The delegation indicated its appreciation for the fact that West European nations comprised the "front-line" of defense against any Warsaw Pact attack.

At the same time, the delegation indicated to our West European allies that the realities of nuclear war put us all at risk. The delegation expressed deep appreciation and understanding for the fact that European nations are potentially only several minutes from East Bloc nuclear forces. But the delegation pointed to the fact that American targets in many instances are no more than a matter of minutes from Soviet missiles, and that this reality has not been lost on American leadership which understands the totality and the immediacy of any threat of nuclear war.

The delegation received the benefit of many observations from our alliance partners. West European leaders offered helpful and extremely useful observations on the military, political, and economic issues which confront the NATO alliance. In addition to the comments which follow on each country which the delegation visited, several themes recurred throughout the visit, and these principal themes and observations follow:

I. INF AND ARMS CONTROL

The government of each of the five NATO allies (Germany, Britain, Italy, Belgium, and the Netherlands) supports the dual track decision made by the NATO alliance in 1979. Each government strongly supports a serious and credible effort to negotiate in Geneva reductions in the number of intermediate-range missiles deployed on both sides. At the same time, it is the estimation of the delegation that each government is prepared to deploy intermediate-range missiles if an acceptable agreement is not achieved in Geneva.

Each nation is characterized by different degrees of broad public and parliamentary support for the dual track decision. It is important for Americans to realize that the public debate in each of the nations designated to deploy intermediate-range missiles has not yet fully occurred. The government of each nation will necessarily handle expressions of protest in ways consistent with its own understanding and law. Each government, however, believes it important for the broad spectrum of American public opinion to understand that opposition to government decisions is a natural occurrence in a democratic government. Several of the leaders with whom the delegation met pointed to the fact that the United States had undertaken its own internal discussion of the MX missile, and that the United States from time to time has experienced public protests or demonstrations.

It is the nature of representative democracy to attempt to accommodate serious objections by minorities. At the same time, governments elected by majorities will continue to set policy in each nation.

Two considerations are of importance in this regard: 1) It is vital that the United States pursue a credible negotiating posture in Geneva. It is the view of the delegation that recent statements by President Reagan and negotiating offers by the American negotiating team headed by Ambassador Nitze have been well received in Europe, and constitute strong reassurance that the United States is indeed negotiating with a view to achieving substantial reductions in intermediate missiles on both sides. 2) It is important for the leadership of the United States and of European governments to communicate to public opinion the reality of Soviet missile deployment and overall Soviet military strategy. It is the view of the delegation that this effort has been assisted, ironically, by the Soviet offer to move SS 20's to the Far East rather than dismantling them. This effort has made clear to nations in the Far East and indeed to all nations on the rim of the Soviet empire the potential danger of these weapons. This offer has especially attracted the attention of the Japanese government. It has led to greater clarity on the part of free nations about the need for a "global strategy," a concept which was brought up by a number of European leaders. This "global strategy" may or may

not be formally ratified, but it is clearer than ever before to major NATO nations that NATO does indeed have interests and concerns that are beyond its own geographical territory.

II. CONVENTIONAL AND NUCLEAR DETERRENCE

There has been considerable discussion recently about the role of conventional deterrence and whether conventional forces might be expanded to the point to which they would offer significant deterrence. This is especially so with regard to the so-called emerging technologies which would prevent rapid East Bloc reinforcement in the event of an East Bloc attack on the West.

The need for improving NATO conventional defensive capabilities is agreed to by all NATO nations visited by the delegation. There is no question that it is vital to maintain a credible conventional force vis-a-vis Warsaw Pact conventional troop strengths. There is no need to establish a one-to-one ratio for successful defense. The fact is, however, that conventional forces cannot be allowed to fall below a certain level of credibility vis-a-vis Warsaw Pact conventional forces. If Warsaw Pact conventional forces obtain so substantial a numerical superiority and so substantial an equipment superiority, there is no credible conventional response and the nuclear threshold is very low indeed.

NATO nations will and should continue to explore seriously all of the possibilities of new technological developments in conventional weapons. At the same time, there are two reasons why a wholly conventional deterrent is unlikely. The first of these was stressed by each and every nation which the delegation visited. Each government stressed the inhibitions of cost. At a time when defense budgets are a matter of debate in each NATO nation, it is unlikely that substantial new sums for the development of conventional forces will be forthcoming.

The second consideration is that conventional forces simply cannot replace a strong nuclear deterrent in the modern age. Conventional forces simply cannot be credibly deployed against an opponent which possesses both strong conventional forces and strong nuclear forces. Beyond this, "raising the nuclear threshold" is not without its dangers, because it may lead to a (false) thought that conflict in Europe can be managed at low levels of escalation. It is the judgment of the delegation that rapid escalation is highly likely and that the strength of the nuclear deterrent in Europe is vital for a credible NATO defense.

Overall, serious imbalances in either conventional or nuclear forces raise substantial problems for deterrence on the part of NATO. The dangers of political blackmail and the shading of policies to suit Soviet objective is at least as real, if not more real, than the prospect of nuclear conflict in Europe.

III. ECONOMIC AND TRADE ISSUES

In the face of worldwide economic recession, all major industrialized European nations, as well as the United States, have been and will continue to be faced with difficult economic decisions. The U.S. economic strategy of moderate monetary growth and efforts to reduce

government spending to lay the groundwork for a long-term, sustainable, non-inflationary recovery has found general favor in the European nations which the delegation visited. At the same time, each European government expressed concern and some surprise at apparent U.S. willingness to tolerate historically high deficits. It should be noted that in several of the European nations including, for example, Belgium, the national deficit assumes a far higher percentage of the Gross National Product than it does in the United States.

European leaders expressed particular concern about the vitality of the dollar. They expressed concern that U.S. budget deficits are contributing to high U.S. interest rates and therefore to the strength of the dollar. They believe that the strong U.S. dollar has created difficulties for their own recoveries and expressed concern about the value of their own currency.

In addition, a number of special economic and trade questions occupy the NATO nations which the delegation visited:

1. Steel

The leadership of the European Community believes that substantial reductions in European steel capacity will be required in the coming years. They believe, too, that this is a process in which the United States must also participate. Members of the European Community pointed out that approximately 280,000 jobs have already been lost in recent years due to the lack of world-wide demand for steel and the relative efficiency of the Far East producers. Decisions to further reduce steel capacity will be difficult political decisions, and may or may not come quickly. Members of the European Community believe that this process must be undertaken by industrialized countries generally, and if it is not, that resort to market shares would be inevitable.

Europeans expressed particular concern about the question of specialty metals and about military purchases generally. They pointed out in each instance that the U.S. possesses a highly favorable trade balance with regard to military equipment and indicated that they sought expanded opportunities to make sales in the NATO countries of their own military products. Special concern was registered about Congressional restrictions on purchase of foreign metals or foreign military equipment.

In addition, Europeans expressed concern about some provisions which might emerge from the new Export Administration Act. They believe that the language of the current bill is far too broad, and that passage of the bill as is would cause substantial problems between the United States and Europe in the area of trade. In general, they seek a commonly agreed upon COCOM list, which they indicate they would be willing vigorously to enforce.

2. Agriculture

Members of the European Economic Community indicated to the delegation that the agricultural policy which they pursue has become exceedingly expensive and that efforts will need to be made to alter that policy. There is question whether the governments of Europe can continue to fund the current agriculture policy without substantial changes. They referred in each instance to what they regard as American subsidization in agriculture, an argument which is often em-

ployed to justify a continuation of Economic Community organization policy.

These matters were discussed by the European community at the Stuttgart meeting of June 17 to 19, and are likely to be discussed again in the future. Members of the Community expressed concern about the difficulty of achieving common and acceptable agricultural policies when election dates vary in each of the nations which are to contribute to such common policies. In general, the Community will be inclined to spend more on agriculture only if changes are made in the manner in which expenditures occur and agriculture policy is to some degree rationalized.

In the case of each of the European nations, a very substantial "social safety net" exists. This strong social safety net results in a number of interesting consequences:

1. In the first instance, it is noteworthy that unemployment—although high—is not as large an issue in European elections as it is in the United States. The reason for this is that unemployment benefits and social welfare maintain unemployed individuals at a level close to the lower end of the spectrum of working people. Thus, many individuals are not substantially worse off materially for being unemployed. In addition, much of the unemployment is concentrated among young people looking for their first jobs.

2. This fact itself has several interesting consequences. Many youth do not enter into the labor force at all. After many years of schooling, they go directly on a form of government maintenance. This means that they are not paying taxes and are net takers from, rather than contributors to, the economic system. In the judgment of many European leaders, this has resulted in substantial alienation from the political and economic system which supports them. This is a rather diffuse, but nevertheless, long-term problem which must be confronted by the leadership of Europe and which must be understood by the leadership of the United States.

3. This may well account for a certain anti-Americanism on the part of many young people in European nations. In a risk-free society which ultimately traces a good measure of its security to the United States, the United States is a natural target upon which to vent frustrations for inadequacies in the current arrangement. This is a matter which commands the attention of thoughtful observers of the world political scene.

4. Young people in Europe have not experienced the harsh problems which marked the lives of their predecessors. There is a tendency on the part of some young people to take for granted the benefits achieved by the protective security umbrella, and to abstract from it those things which do not suit them. They appear relatively free to "think away" the negative side of what is necessary to maintain their lives, and do not possess a tangible awareness of the manner in which their lives would change if the protective umbrella of military security were removed. This was particularly evident in discussions with members of the so-called Green Party in Germany. The platform of this party tends to "assume away" the competitive and political-military circumstances within which life in Western Europe occurs. By assuming away all difficult problems, and focusing upon the need to

correct deficiencies, this approach has gained the attention of a substantial number of younger voters.

5. The governments of each of the five nations which the delegation visited continue to understand and appreciate the importance and competitiveness in the world economy. These governments are aware of efficient producers in the Far East and elsewhere, and understand the necessity of taking steps to regain a strong competitive position. They appreciate the need for economic growth in order to secure opportunities for their citizenry and in order to pay the substantial social safety net expenses which they have brought into being. Whether each of these nations possesses the broad social and political consensus necessary to take difficult steps in order to secure this competitiveness remains to be seen.

IV. IS THE UNITED STATES TURNING AWAY FROM EUROPE

Having already said that the current U.S.-West European relationship is strong, we note nevertheless a long-term doubt in the mind of many Europeans that the United States will continue to grant Europe the priority which it has historically maintained in American foreign policy. A considerable number of influential West European leaders asked whether the fact that the political center of gravity in the United States is moving Southwest would cause changes in the priority of Europe in the mind of the United States. Reference was made to the growth of population in the South and West, to expanding United States economic relationships in the Far East, and to recent American attention to the Western Hemisphere, especially to South America.

The delegation reaffirmed the priority of NATO in U.S. foreign policy. Each member of the delegation indicated that trade relationships with the Far East were very important, as are political relationships, but that this fact does not detract from the centrality of the NATO alliance for U.S. security policy.

The question of American attention to Central America arose on several occasions. None of the European leaders with whom the delegation visited offered criticism of American policy in that region. Several indicated that it was not their position to offer gratuitous advice on a policy which principally reflected the concerns of the United States. To be sure, the level of public debate in Europe, as opposed to the position of the governments there, is much louder. The quality of this debate is not especially illuminating. For the most part, the public debate in Europe has not focused on the seriousness of American concern about developments in Nicaragua and has contented itself with large generalizations about assisting "pluralism" in Nicaragua and not resorting to military force in the region.

The delegation indicated on several occasions that if there was concern about American preoccupation with Central America now, that our attention to this area would be far greater if one or more further governments in Central America became aligned with Cuba and the Soviet Union. The delegation pointed out that if this occurs, it will preoccupy the United States to an extent far greater than did Vietnam in the late 60's and early 70's. The delegation indicated the importance of a genuinely free and democratic Central America for the United

States. A fully Marxist Central America, allied with the Soviet Union, would likely divert substantial American attention from virtually every other region of the world.

The delegation indicated the importance of the continuation of a free and independent and stable Mexico for the United States. It indicated, too, that a Marxist Central America would lead to considerable emigration from Central America to Mexico and through Mexico into the United States, and that this would intensify American concerns about the region. For these reasons, the delegation thought it necessary to indicate to European governments the depth of concern about Central America and the importance of resolving matters there favorably in the near term if we are to continue to accord the priority which is necessary to Europe, to the Middle East, and to other regions of the world. The delegation indicated that it viewed Central America within the same context of global security as it believes necessary to view the deployment, removal, or dismantling of SS 20's.

The leaders with whom the delegation met did not specifically endorse U.S. policies in Central America. They tended to regard it, however, largely as a matter of American concern.

I. United Kingdom

U.S.-U.K. RELATIONS

Relations between the United States and Great Britain continue to be generally excellent. The present Conservative government of Prime Minister Thatcher shares similar views on domestic economic policy and most major international issues with the Reagan Administration. The United Kingdom government is a staunch supporter of both tracks of the NATO dual track decision of 1979, devotes a considerable amount of funds (over 3.0% in real terms) to defense expenditures, and is supportive of the U.S. modernization of forces in the U.K. and President Reagan's arms reduction proposals.

There is, however, a significant and well-organized coalition of diverse interest groups (students, church groups, environmentalists, etc.) who question the value of the British Trident missile program and oppose the INF modernization/deployment track of the 1979 NATO dual track decision. This is especially the case in light of the Prime Minister's efforts to bring government spending under control and reduce inflation. As in the case in other democratic countries of the alliance, it can be expected that the debate over the level of adequate defense spending and the nature of such spending for the security of the West will be conducted with a view to the effect upon the domestic social safety net and its implications.

Some disenchantment between Washington and London was caused by the U.S. decision to apply sanctions on John Brown Engineering, a British firm which supplied equipment to the Soviets for the Siberian pipeline. As with other NATO governments, the British stressed the importance of consultation and dialogue between Washington and NATO capitals before any such actions are taken, and expressed the hope that more concerted coordination take place in the future. Like other European governments, the British government offered the INF consultative process as a model for close coordination and cooperation.

POLITICAL/ECONOMIC

Although the term of the present Parliament ran until May 1984, Mrs. Thatcher called early elections for June 9 of this year following solid Tory performance in municipal elections. The delegation found widespread expectations that Mrs. Thatcher would be returned to power with a large majority, correctly predicting the outcome of the elections.

The Conservatives' major asset is Mrs. Thatcher—her determination, toughness, and the perception that she is able to dominate everyone else in British political life.

Labor's weakness is a major Conservative strength. The Labor Party is trying to pull itself together, and moderate members made solid gains in the annual party conference. One of Labor's main problems has been its leader, Michael Foot, who commanded only 14 percent approval nationwide at the time of the election. Labor's radical policies do not have broad national support.

The SDP-Liberal Alliance has also faltered because of too little money, too many internal feuds, and too few organizers, and an inability to evolve a distinct, appealing set of ideas.

Prime Minister Thatcher faces a formidable array of problems in her quest to return Britain to a path of increased prosperity and productivity. Her objectives include: continuing to reduce inflation, controlling big government expenditures, reducing unemployment, increasing the productivity and competitiveness of British industry, and providing incentives for private investment to revitalize Britain's basic industries.

The problems the Prime Minister faces that were pointed out to the delegation by British officials included the following:

—49% of the GDP of the U.K. goes to government expenditures (nationalized industries and extensive social welfare network payments)

—Lack of strong management capabilities within various sectors of British industries

—Inherent problems in trade union-management relations which has resulted in a 400% real increase in wages for workers in basic industries (coal, steel, civil service, etc.) over the past ten years. Frequent wildcat strikes by unions in the past and trade union contracts which were not legally binding have also been a source of difficulty.

On the positive side, the Prime Minister has brought down inflation and appears to enjoy broad support for her policies among the British people. The next two years, however, will be critical for the British government in addressing domestic economic problems. Because of the extensive social welfare net in the U.K., 13% unemployment (about 3 million people) was not viewed as a major factor in the June 9th election.

A central political goal of Prime Minister Thatcher's Conservative Government is to improve the U.K.'s low rate of economic growth and low level of productivity. Mrs. Thatcher wants to provide the conditions for sustained economic activity without rekindling inflation. She aims to stimulate economic growth in a variety of ways, including changes in the tax structure, reduction in state subsidies to declining industries, and labor reforms.

While British economic recovery from the 1980–81 recession has been weak and hesitant, there are new signs of more sustained economic activity. Real growth for 1983 could reach 2.2%, and some analysts are predicting a rate of 3%. Like each European nation, the British believe that a strong American recovery is vital to set the world economy on the course of recovery.

The British believe that it is essential for the other major economies collectively to pursue prudent fiscal and monetary policies in order to bring inflation under control, reduce exchange rate volatility, and allow scope for a sustained rise in economic activity.

II. The Netherlands

U.S.-DUTCH RELATIONS

Bilateral relations between the United States and the Netherlands are generally good. There is agreement on many foreign policy issues, although differences remain over how best to deal with the developing world and the Soviet Union. In spite of strong anti-nuclear sentiment, pro-NATO feeling is widespread. The anti-Americanism of recent years seems to be receding and there is considerable appreciation of shared values and common objectives. Queen Beatrix's state visit in April 1982 did much to underscore common ties and to emphasize a unity in diversity among allies.

National elections last September led to the formation of a center-right coalition government composed of the Christian Democrats and the Liberals (conservatives). The Labor Party became the largest single party, but went into opposition because of its inability to find a compatible coalition partner. Since then, Labor has become more outspoken in opposing U.S. and NATO defense policy—especially regarding INF deployment in the Netherlands and critical of U.S. policy in Center America.

Dutch confidence in the United States' sincere interest in arms control is vital to good bilateral relations and affects Dutch attitudes on the entire range of foreign policy issues. The President's arms control initiatives have had a positive impact in the Netherlands and there is strong support for the "interim proposal", though not necessarily for U.S.-Soviet equality in INF Systems.

The main purpose of the delegation's trip to the Netherlands was to reaffirm the ties of friendship and cooperation between the Dutch and American peoples. The delegation made clear that its purpose was not related to INF deployment or any other specific issue, but to re-affirm the close and long-standing relationship between the American and the Dutch people. This purpose was highlighted by the delegation's participation in the annual ceremony at Margraten Cemetery in the Netherlands honoring the men and women from the allied countries who gave their lives for the defense of freedom during World War II. Over 8,300 Americans who died in the defense of Europe in World War II are buried in Margraten. A copy of Senator Lugar's remarks at this ceremony is attached as an appendix to this Report.

Dutch government officials reasserted the commitment of their country to the NATO alliance and their desire to deepen the joint production purchase of NATO defense items.

Though acknowledging the decline of U.S. interest rates, Dutch officials expressed concern about the current level of real U.S. interest rates and about the large U.S. budget deficit. The Netherlands is a major importer of American agricultural products and generally opposes efforts in the EC to impose tariff quotas on agricultural imports. While the Netherlands is a traditional free trade ally, it is also influenced by its EC loyalty and the dynamics of internal EC policies which hamper efforts to bring EC cereal prices more into line with world market prices.

There is considerable Dutch concern about the imbalance in defense procurement trade (the "two-way street") and Parliament recently put several "buy Dutch" provisions into the defense budget. The Dutch also desire 100 percent offsets for future purchases of U.S. systems, such as the Patriot air defense missile.

The U.S. delegation expressed to Dutch officials the sincerity of the U.S. government on both tracks of the NATO double track decision of 1979 and the commitment to work closely with the Netherlands on both defense and economic/trade issues.

III. Belgium

U.S.-Belgian relations

Since World War I, and U.S. help in reconstructuring Belgium, there have been extremely close relations between the U.S. and Belgium. These ties were solidified after World War II with the formation of NATO. Today we enjoy close ties with the Belgian government in political, trade military and other fields. As with other NATO countries, the Belgians expressed concern to this delegation about a viable "two-way street" in NATO defense procurement and with the problems of high budget deficits and unemployment.

Political/economic situation

Externally, Belgium is a firm member of the North Atlantic Alliance, playing host to both NATO headquarters and SHAPE.

It is also the unofficial capital of Europe as the seat of the EC Commission and host to other European bodies.

Internally, the familiar European spectrum of Liberals (conservatives), Christian Democrats and Socialists generally prevails, but these parties are separated for Dutch and French speakers.

The country has been governed by a center-right coalition since the elections in November 1981, based on an alliance between the Liberal and Catholic parties of both language groups.

The political situation has been fairly stable because opposition Socialists have had no desire to be associated with government's policy of economic austerity, and have had little alternative to offer.

There has been increasing strain, however, because of tension between Dutch-speaking Flanders and francophone Wallonia primarily over the steel issue. In many respects, Belgium is undergoing a

regional debate about "high-tech" versus "smokestack" industries, similar to that in the United States.

The present Prime Minister, Mr. Martens, is currently heading his fifth government.

ECONOMIC SITUATION AND OUTLOOK

When Prime Minister Martens came to office in December 1981, Belgium had three major economic imbalances: a large budget deficit, a large current account deficit, and high unemployment. The country, which exports some 60 percent of its GNP, lives largely by trade. Belgium's competitive position had eroded due to high wage costs and social welfare payments. In 1981, Belgian firms, as a whole, showed a negative profit.

The Prime Minister set about to correct this by devaluing the franc by 8.5 percent against other EMS currencies in February of 1982. (Some 70 percent of Belgium's exports go to its EC partners.) The government partially suspended indexation of wages and introduced a selective price freeze. It took budgetary and tax measures aimed at bringing public expenditures down and stimulating business investment.

After improving slightly in the first half of 1982, economic activity slackened again. Real GDP declined about 0.5 percent last year, largely due to sluggish external demand. Unemployment continued to rise. The budget deficit resisted efforts at cutting and exceeded 15.5 percent of GDP in 1982. There was, however, a marked improvement in business profits. Wage restraint slowed wage costs and exporters increased their Belgian franc prices after realignment. Business investment increased slightly.

The EC has recently revised downward its estimates for Belgium for 1983. Real GDP is expected to contract by one percent (rather than 0.4 percent), due mainly to a decline in public investment, little rise in private investment, and only modest possibilities for export gains. The number of unemployed is projected to grow, although the rate of increase could be slower than in the past because of reductions in working time and other factors.

Steel, coal, and textiles have been dominant sectors of Belgian industry for decades. Belgium has now managed to close most of its high-cost coal mines. Many small textile firms have failed. The steel industry, with excess capacity, has fallen upon hard times in the Belgium and elsewhere. A major domestic political issue is how the government will deal with the necessary restructuring of Cockerill-Sambre, the largest of the steel works, the major employer in Wallonia, and largely government-owned. Wallonia and Flanders and the central government have agreed in principal on the need for Belgium to move into high technology, but this has been and will continue to be a difficult transition. Belgian officials pointed out to the delegation the efforts being made to revitalize the Belgian economy and the importance they attached to economic recovery in the U.S. They, too, see U.S. recovery as the "locomotive" which will drive world recovery.

BELGIAN ROLE IN NATO

Belgium is a firm member of the North Atlantic Alliance. Both NATO Headquarters and SHAPE are located in the country. Bel-

gium makes a major contribution to the common defense. Belgium stations a higher per capita proportion of its armed forces abroad than any other member of the North Atlantic Alliance.

Belgium has conscription; 2.8 percent of Belgium's total labor force is on active military duty. This is close to the U.S. percentage (2.9 percent) and higher than any other NATO member except Turkey and Greece.

Belgium expends 3.8 percent of its gross national product on defense, a figure which compares well with all European NATO allies except Greece and the United Kingdom. Since 1970, the Belgian percentage has generally increased.

The Belgian government fully supports the 1979 NATO dual decision regarding deployment of U.S. INF missiles in NATO countries if efforts to reach an arms control agreement with the Soviet Union are unsuccessful. As in other NATO deployment countries strongly supporting both aspects of the NATO dual track decision, Belgian officials pointed out to the delegation that before actual deployment began, the issue would be debated in Parliament and hence stressed the importance of the commitment and flexibility of the United States in the Geneva talks. There is active grass-roots opposition to deployment, and a lively debate can be expected to continue on this question.

IV. Germany

U.S.-German relations

The U.S.-German governmental relationship today has been further strengthened by the election victory of Chancellor Kohl in national elections on March 6, 1983. The German government attitude, as expressed to delegation members by members of the Kohl government, is one of firm support for both tracks of the NATO decision of December 1979, support for U.S. foreign policy in general (except where disagreement lingers on the subject of East-West trade and purported benefits of detente), and a willingness to consider seriously the objectives and policies of the U.S. Government in Central America.

Political/economic

In the March 6 elections, the CDU/CSU fell just short of an absolute majority. For the first time, the FRG witnessed the entry into the Bundestag of a small number of anti-NATO environmentalist Greens. The Free Democrats, led by Foreign Minister Hans Dietrich Genscher, achieved 6.5 percent, enough to exceed 5 percent required for membership in the Bundestag.

The SPD, led by Hans Jochen Vogel, suffered a serious setback in the March elections, and is in the process of regrouping itself. During the delegation's stay in Germany, the Social Democrats were convening to begin to establish the outlines of its platform as an opposition party. As in the case of the Labor party in Great Britain, there have been strong tendencies to move to the left on the part of some members. The SPD position on INF was not fully defined at the time of the delegation's visit. While some SPD members argued for further movement away from full deployment, others pointed to the SPD role in the

original NATO decision and to concerns about moving too far from the political center of Germany. In a recent poll in Germany, for instance, the CDU replaced the SPD as the party most closely identified as the party of the average "working class" man and woman. While this result is partially attributed to the personal qualities of Helmut Kohl, some SPD members believe it reflects a deeper problem.

The delegation had the opportunity to discuss matters of mutual concern with officials of the Kohl government, including Foreign Minister Genscher, members of the Bundestag, SPD party leaders, including Herr Vogel, Green party member Beck-Oberdorf, and Prelate Heinz Georg Binder of the Evangelical Church.

The delegation unanimously reaffirmed its commitment and that of the President to meaningful and equitable arms control negotiations leading to real reductions. Foreign Minister Genscher stressed the importance of both tracks of the NATO dual track decision and the necessity of remaining firm on both tracks to provide a real incentive for the Soviets to take the negotiations seriously.

SPD party leader Vogel expressed the hope that the Geneva negotiations could succeed without deployment, or at least only a partial deployment. Vogel also proposed that thought be given to merging START and INF negotiations to accommodate Soviet concerns over the independent French and British systems. The CDE (Conference on Disarmament in Europe) was also mentioned as an area in which significant progress was possible.

ECONOMIC ISSUES

Members of the German government pointed out to the delegation that Chancellor Kohl intends to take vigorous steps to revive the German economy. He has called for "freeing up the spirit of free enterprise", the promotion of investment, the stimulation of growth industries, and the reduction of government regulations which inhibit free enterprise. The FRG's five leading economic research institutes, in their latest common look at the FRG economy, project for 1983 a growth rate of one-half percent, consumer price inflation of three percent, and average unemployment of 2.35 million. Unemployment may reach a seasonal peak of 2.8 million this winter. All the institutes agree that the economy has turned around, but each of them, for varying reasons, questions whether the recovery can be sustained. They do not hold out much hope that the unemployment problem can be solved by the much-discussed suggestion of reducing the length of the work week and/or the number of years required for retirement. A major economic uncertainty is the foreign sector.

An issue that remains of central interest to the FRG is the question of East-West trade. The Siberian pipeline constituted a serious problem, but that issue has been resolved to the satisfaction of the German government. East-West trade remains, however, an issue which requires close consultation and agreement. Concern was expressed about some provisions of the U.S. Export Administration Act. Delegation members indicated that they would monitor the matter in Congress, but, at the same time, stressed the need to restrict the transfer of sensitive technology to the Soviet Union and Eastern Bloc countries and

expressed doubts about the wisdom of providing low-interest, long-term credit to the Soviet Union.

The delegation conveyed the following thoughts to German friends and allies:

1. The U.S.-FRG relationship is crucial to the security of the West. The Congress joins the Administration in its determination to enhance still further the already excellent relations between the two countries.

2. Both governments wish to increase exchanges, contacts, and understanding between the United States and the FRG. It is particularly important that younger people in the two countries increase their understanding of each other and of the German and American societies.

3. It is important that major ceremonies are planned in both countries to mark the 300th anniversary of German immigration to the United States. The Vice President's visit to the FRG in June underscored U.S.-German friendship, and the American people look forward to FRG President Carstens' trip to the United States in October.

4. The United States is fully committed to the defense of the Federal Republic of Germany and Berlin. U.S. Forces in Germany and their dependents are roughly equal in number to the population of one of our smaller American states. They represent the NATO concept of the indivisibility of Alliance security and the commitment of the United States to defend Western Europe.

5. The Congress strongly supports genuine arms control and suggests serious discussion with the Soviet Union on the reduction of nuclear weapons and of conventional forces. The Congress fully supports both tracks of the December 1979 NATO decision on intermediate range nuclear forces.

The delegation also had the opportunity in Germany to meet with American troops serving there. Morale and readiness were found to be extremely high. The delegation noted that in many instances these troops serve under very difficult circumstances, with renovation of living quarters being a special need.

One of the most poignant parts of the delegation's visit to the Federal Republic was the visit to West Berlin, with a warm reception by the Mayor of West Berlin and the dedication of the people of West Berlin, as expressed by the Mayor. The delegation had a moving visit to the Berlin Wall, and a useful discussion with American Embassy personnel in East Berlin.

V. Italy

U.S.-ITALIAN RELATIONS

Relations between the United States and Italy, both bilaterally and in the NATO context, have been extremely good.

Members of the delegation expressed gratitude to Italian government officials for Italy's strong support and, in particular, for a number of actions taken by the Italian government.

First, Italy was one of the first NATO countries to accept and begin infrastructure work on sites for NATO Intermediate Nuclear Force (INF) modernization deployments. Second, although objecting to U.S. sanctions with regard to the Soviet pipeline project because of extra-territoriality and retroactivity, the Italian government "paused for reflection" before deciding upon confirming a contract with the

Soviet Union for the import of 8 billion cubic meters of Soviet gas annually for 25 years. Third, the Italian government has been supportive of a number of U.S. policies, including the condemnation of Soviet backed repression in Afghanistan and Poland. Fourth, the delegation again expressed appreciation for the outstanding rescue of General Dozier from his terrorist kidnappers, and for Italy's firm response to terrorism generally.

Italian officials noted that enhanced appreciation of Italy's role in the Alliance and increased Italian participation in NATO defense procurement and supply contracts would further improve United States-Italian relations. Italy is also willing to play a role in areas outside of NATO—for the benefit of the Alliance—as is evident from Italian participation in the multilateral peace-keeping force in Beirut.

POLITICAL/ECONOMIC

Politically, despite frequent changes in government coalition partners, Italy remains a sturdy and stable democracy. Communist influence which surged in the period of 1975–76 has waned since that time.

Italy's four-party center-left coalition at the time of the delegation's visit was the country's 43rd postwar government. Prime Minister Fanfani made an auspicious start by promoting agreement last January by industry and labor to an anti-inflationary moderation of Italy's generous automatic wage indexation mechanism. However, the two key coalition parties, the Christian Democrats (DC) and the Socialists (PSI), found little to agree on since. The DC has advocated economic austerity as the proper course to reduce Italy's 16 percent rate of inflation, which is fueled by an enormous state budget deficit approaching 15 percent of the country's gross domestic product. Assigning priority to reducing Italy's 10 percent unemployment rate, the Socialists favored moderately expansionary policies.

The Socialists grew increasingly uneasy in the early months of 1983 over a perceived decline in their party's popularity since a high point of a year or so. An impasse over economic policy as well as increasingly difficult personal relations between leaders of the two parties, led the Socialists in late April to withdraw their support from the coalition. The Socialists calculated that an election in June would preserve some gains for them relative to their showing in the last parliamentary election in 1979. After explorations showed the formation of a new coalition to be impossible, President Pertini dissolved Parliament a year in advance of the expiration of its normal five year term.

As long as the Christian Democrats and the Socialists remain in alliance, Italy's pro-NATO. pro-Atlanticist, and pro-U.S. orientation should remain clear. The DC has traditionally been Italy's staunchest party in those respects, and the Socialists under Craxi have emphasized anti-communism and distrust of Moscow as themes by which they hope gradually to erode the Communist Party's dominance of the Italian left. Although in their March 1983 Congress the Italian Communists strongly exhorted Craxi to join with them in a leftist "democratic alternative" government which (for the first time in the post-war period) would exclude Christian Democrats from power at Rome, Craxi remained cool to this prospect.

Economically, Italy's new government faces a number of serious challenges. With a present inflation rate of approximately 16 percent, unemployment of about 10 percent, a decline in industrial growth last year of around 9 percent, and a budget deficit projected this year of some 80 trillion lira (approximately $30 billion), Italy needs to come to grips with structural revitalization of industries and to continue implementing policies which are growth-oriented.

In the area of state enterprises or partially nationalized industries, Italy faces many of the productivity problems experienced by Great Britain as well as the problem of rationalizing massive government spending and social welfare costs.

Another factor that needs to be taken into account in Italy is the "mercato nero" or black market/underground economy and the fact that a number of Italians have two jobs or more for which they do not declare taxes; hence, it is thought that large amounts of funds circulate or change hands in Italy without the government collecting revenues or taxes. This explains to a certain extent the air of relative prosperity one feels on a visit to Italy.

Members of the delegation were impressed by Italy's steadfast commitment to the NATO alliance and appreciative of Italy's contributions, as well as the difficulties the Italian government faces.

A highlight of the delegation's visit to Rome, in addition to friendly and frank discussions with Prime Minister Fanfani and Foreign Minister Colombo, was the opportunity to meet with and pay respects to His Holiness Pope John Paul II. A copy of his statement to the delegation is attached as an appendix to this Report.

Appendix 1

Memorial Day Ceremony in the Netherlands, May 29, 1983, Senator Richard G. Lugar

We come here, today, to honor more than 8,000 Americans who died in the service of their country and in defense of the bond of freedom which unites the people of the United States and the Netherlands. We are entering the third century of close relations between our two nations. The men who are buried here played a critical role in that history.

I ask you to join with me today to honor the sacrifice which each of these men made.

Of the thousands who lie buried here, 205 came from my home State of Indiana. Fourteen came from my home city of Indianapolis. Others buried here came from the home States of my colleagues who are here today. Senator Dennis DeConcini's home State of Arizona lost 30; Senator Orrin Hatch's home State of Utah lost 13.

Those American troops who set foot on European soil 40 years ago reaffirmed that the fate of the United States is inextricably bound to the fate of the Netherlands and to each of the freedom-loving peoples of Western Europe. After the war in which these men died, we joined together to create the North Atlantic Treaty Organization—a strong alliance which reaffirms our common ideals and our common interests.

This is all the more important in the nuclear age. Given the enormous destructive power of modern weapons, we simply cannot afford to allow mistakes, doubts, or chance to affect the soundness of our judgment. We must make every effort to insure that these brave men are the last to lose their lives in a European conflict. The sacrifices of the past will not be in vain if we have learned that free peoples must remain firmly united in order to preserve the peace.

To the memories of the fourteen men from my home city, the 205 men from Indiana, and the many others from Arizona, Utah, and throughout the United States, I dedicate this Memorial Day tribute. May our remembrance provide us all with guidance.

Thank you very much.

Let me be clear about the purpose of this alliance: We threaten no one, we seek no territory, and we have no desire to dominate.

Ours is a defensive alliance. We are not armed for attack, nor will we ever be so armed. All of our forces and all of our planning are intended solely to defend ourselves. The young men who came ashore on European soil 40 years ago did not do so for the purpose of conquest. They came to assist friends, and when their mission was finished, they returned to their homes. Some who did not return home are buried here and in other cemeteries throughout Europe. We honor these men

with our presence and with our words here today. But we do greater honor to them if we are willing to learn from the terrible catastrophe which brought them to this resting place. The price of peace cannot be paid by earlier generations; each generation, including our own, must earn it. We cannot rest upon the sacrifices made by the men buried here.

We must honor the lesson that eternal vigilance is the price of freedom. We can repay a small portion of the debt we owe to the men buried here by insuring through strong collective defense that war never again comes to the European Continent. Much as we might, we cannot wish away the fact that there are those in the world today whose desire to extend their influence threatens our common security. We should leave no doubt about our determination to remain free and to preserve the peace.

Appendix 2

Text of Pope John Paul's Address to the Delegation

Dear Friends, I extend a very cordial welcome to you as we meet today in the Vatican. I have vivid recollections of my own welcome to the United States of America, especially the warm reception given to me in your nation's Capitol.

I am pleased that you should wish to meet me during your official visit to Europe. This clearly manifests your sentiments of respect, which I assure you are mutual, as well as your desire to engage in constructive dialogue regarding matters of interest and concern to you and the Holy See.

You are men and women who exercise leadership in the United States and who influence the social, political, and economic policies of America. And so, as you perform this important role, I would invite you to keep before your eyes a global vision of the events and happenings of our times. I would encourage you to reflect constantly on the moral implications and consequences of your actions and on your influence on the world community. Maintain a keen awareness of the dignity of the human person and be courageous in upholding the inalienable rights which flow from that dignity: the inalienable rights of every human person—every man, woman, and child. In this way, you will be serving not only your fellow citizens, but you will be protecting and strengthening the bonds that unite the entire human family.

May you be strong in your resolve to pursue the path of truth and righteousness, no matter what the cost. And be assured that I accompany you in this endeavor with my blessing and my prayers for you and for all your fellow Americans.

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